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" A Financial Study of Edible Oil Industries in Parbhani District"

By

Amol Prakashrao karpe
Research Student and
Assistant Professor
A.C.S College,Gangakhed

Under the Guidance of

Dr. B.S.GITE
(M.Com., Ph.D.)
Assistant Professor and Research Guide
K.K.M.College Manwat, Parbhani.

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1) ABSTRACT AND SUMMARY OF PROPOSED WORK PLAN:

- The demand for edible oils in India has shown a steady growth at a compound Annual Growth Rate of 4.43% from 2001 to 2011. The growth has been driven by improvement in per capita income or consumption, which is due to attributable to rising income levels and living standards. The current per capita consumption level of India at 13.3 Kg/Year for 2009-10, is lower than global averages 24 kg/year. The Indian edible oils market continues to be underpenetrated and given the positive macro and demographic fundamentals it has a favourable demand growth outlook over the medium to long term.
- In India, palm oil, soya bean oil and mustard oil are the three largest consumed edible oils in terms of volumes, with respective shares of 46 per cent, 16per cent and 14 per cent in total oil consumption in the year 2010. Given the high price consciousness and varied taste preferences of Indian consumers, Information and Credit Rating Agency (ICRA) expects these three oils to continue to account for the bulk of edible oil used in India.
- There has been a significant gap between demand and supply of edible oil because of limited availability of oil seeds and shifting of area to other crops in the domestic market. This gap has been fulfilled through imports, which account for almost 45/50 % of total oil consumption.
- Not with standing that, information and Credit Rating Agency (ICRA) expects the high dependence on imported oils to continue in the foreseeable future due to anticipated domestic supply constraints and the high cost competitiveness of imported oils. Refined and Crude palm oil (CPO) have accounted for the major portion of edible oil imports In India (74per cent in 2009-10) mainly due to their relatively low

prices and ample availability. ICRA expects the dominance of palm oil in imports to continue in the near to medium term.

- In Parbhani District, peoples generally also used palm oil,soyabean oil safflower oil, sesame oil,sunflower oil, Peanut oil etc. used for coking. But des to insufficient raw materials these oil seeds were demanded from the different parts of the state and country for production and supplied to oil factories to fulfil the need of consumers.
- In Parbhani District there are more or less than 50 oil making factories in rural or urban areas.
- The main objective of the thesis is to study the financial conditions of these oil factories Industry.

2) INTRODUCTION:

We are in 21st century, and today`s our living standards are very much higher as compared to 19th or 20th century. We all know that our basic needs are "Food, Cloths and Shelter" but among these "Food" is the most important part. The human food cycle starts from vegetables to meet .In the past we were eat all foods that were not properly cooked but today we used to eat all foods properly cooked and with all tasty flavours like salt , chili, garlic, ginger, oil etc. Oil is the basic ingredient used in cooking which is used to increase the taste of our food.

The Indian vegetable oil economy is the world`s fourth largest after the US, China and Brazil harvesting about 25 million tons of oil seedsagainst the world. Since 1995, Indian share in world production of oil seeds has been around 10 percent. Although India is a major producer of oil seeds per capita oil consumption in India is only 10.6 kg/annum which is low compared to 12.5 kg/annum in china, 20.8 kg/annum in japan, 21.3 kg/annum in Brazil and 48.0 kg/annum in in USA.

Vegetable oil consumption has increased following a rise in household incomes and consumer demand. India imports half of its edible oil requirement, making it the world`s third-largest importer of edible oil. The country buys soya oil from Argentina

& Brazil and Palm oil from Malaysia & Indonesia. Currently, India accounts for 11.2 per cent of vegetable oil import and 9.3 percent of edible oil consumption.

Edible oils are an important component of food expenditure in Indian Households and Food culture. Historically, India Has been a Major importer of edible oils with almost 30-40 per cent of its requirements being imported till 1980. In 1986, the government of India established the Technology Mission on Oilseeds and Pulses (TMOP) in order to enhance the production of oilseeds in the country.

The TMOP launched special initiatives on several critical fronts such as improvement o oilseed production and processing technology additional support to oilseed farmers and processors besides enhanced customs duty on the import of edible oils. Consequently there was a significant increase in oilseeds area, production, and yields until the late 1990. However, in order to fulfil its bligations towards various international trade agreements and also meet the increasing demand supply deficits, India began to reduce import restrictions on edible oils in the late 1990`s and it was gradually brought under open general license.

As comared to demand growth for edible oils, the domestic oil and oil seed production has remained largely stagnant on account of low productivity in under irrigated areas and shifting of area age from oil seeds to other crops. This has resulted in a significant demand supply gap, which has been met through imports which have een further incentivized b sharp cut in import duties. In the period from 2001 to 2008, import duties on curde soyabean oil /palm oil were in a prohibitively high range of 40-90 per cent. In oreder to curtail inflation and revised these protctionist tariffs downwards to 7.5 per cent for refined palm / soybean oil and 0 per cent for crude palm / soyeabean oil in April 2008, Resulting in to a surge in volume of imported oils that currently found almost 45-50 per cent od domestic consumption requirement s.

This led to a significant slump in the domestic oil seeds market, as edible oil prices fell sharply in line with the lowinternational prices prevailing at that time . subsequently, the duty structure was modified so as to maintain a duty differential between crude and refined varieties in order to protect the domestic industry.

Nevertheless, due to high import dependence, domestic edible oil prices remain highly correlated to international edible oil price movement, and this has resulted in volatility in the key credit metrics of rated edible oil companies. At the same time, ICRA notes that edible oil companies with benefits of large scale integrated operations, multi product offerings and recognizable branded presence in retail markets have fared better as compared to small-medium scale domestic oil seed crushers.

2.1) Types of Oils Commonly in use in India :

India has a wide range of oilseeds crops grown in its different agro climatic zones. Groundnut, Mustard/Rapeseed, sesame, safflower, linseed, Niger seed / Castor seed are the major traditionally cultivated oilseeds. Soyabean and sunflower have also assumed importance in recent years. Groundnut, soyabean and mustard together contribute about 85 percent of the country`s oilseeds production. Coconut is most important amongst the plantation crops. Effort are being made to grow oil palm in Andhra Pradesh, Karnataka, Tamil Nadu in addition to Kerala and Andaman &Nicobar Islands. Among the non-conventional oils, Rice bran oil and cotton seed oil are the most important. In addition, oilseeds of tree and forest origin, which grow mostly in tribal inhabited areas, are also a significant source of oils.

Until 2002 the olive oil sector in India was predominantly unorganised. The olive oil industry in India is small and largely people use it more for cosmetic purposes than for cooking. Today Indians are moving to better cooking mediums like Olive oil for health and wellness reasons. Olive oil has always been placed somewhere between food and medicine and the biggest challenge is to educate Indian consumers on the benefits of olive oil as a cooking medium. Today the domestic olive oil consumption is seen rising 25 % annually.

2.2) Facts of Oil Market :

- The total market size is at Rs.600 billion and import export trade is worth Rs. 130 billion.

- India is the world`s fourth largest edible oil economy, after USA, China and Brazil, With 15000 oil mills, 711 solvent extraction units, and 264 vanaspati plants and over 1000 refineries employing more than one million people.
- Currently, India accounts for 7.4% of world oilseeds output, 6.1% of world oil meal production, 3.9% of world oil meal export, 5.8% of world veg oil production, 11.2% of world veg oil import and 9.3%of the world edible oil consumption.
- India being deficient in oils has to import 40% of its consumption requirements.
- India consumes over 4.5 million tons Palm Oil and other Palm Oil products per annum, while domestic production of Crude palm Oil In India is hardly 60000 tons per annum and rising very slowely.
- India`s edible oil industry is growing at an compounded annual growth rate.
- The total size of the olive oil market in india is around 4 million euro interms of value and 2,000 tones in terms of volume, out of which Spanish Companies command a share of about 60%.
- (CAGR) of 90 percent. By rationalizing the import duty,the groeth rate of sector may rise up to 150 per cent by 2010.

2.3) Statutory Regulations:

The Vegetable Oil Industry is administered through the following regulation ordrs which are statutory in nature and drive their powers from the essential commodities Act :

- Vegetable Oil Products (Regulation) Order 1998.
- Edible Oils Packaging (Regulation) Order, 1998.
- Solvent Extracted Oil, De-Oiled Meal and Edible Flour (Control)Oreder,1967.

2.4) Custom Duty :

With effect from1 st April,2008, the customs duty on crude and refined forms of palm oil, plamoleing, palm Kernel oil, Soybean Oil,Repeseed /Mustered oil, Sunflower oil, Safflower Oil,Groundnut Oil, Cocount and some other.

Vegetable Oils have been reduced to zero percent and 7.5 per cent respectively. The customs duty on all grades of olive oil has been reduced to 7.5 percent from the previous 45 percent on virgin olive oil and 40 percent each on refined olive oil and olive palm oil.

The rate of excise duty is same in the parbhani District.

2.5) Value Added Tax (VAT) :

There are difference in the percentage rates and rules from state to state under VAT for oilseeds, Oil meals, oilcake and oils. There is an element of 5 percent VAT on edible oils/oilseeds plus octroi and other local taxes on edible oils imposed by the state governments,which accounts to nearly 6 to 7 percent.

The VAT on olive oils is also charged at the rate of 5 percent by the indian States. Parbhani has the Mahanagarpalika systeme, that`s why the VAT in parbhani district is 5 percent.

3) OBJECTIVES OF THE STUDY :

Every study of a subject is realated with the positives and negatives of that subject. In this scenario we will research about the oil Industry of Parbhani Districts, having different problems such as, Financial, there losses and profit, there method of producing raw material to final product, there difficulties to survive their firms, problems of skilful labour, Problems of electricity, problems related to transport and roadways, demand of customer etc.

The Objectives of study are :

- We will study and research about the oil industries and their Economic management.

- In this thesis we will study and research about the financialposition of oil Industry of Parbhani District.
- Through this research work we will stuy the problems faced by the oil entrepreneur's problems related with land if factory, non availability of skilful workers.
- To study the oil entrepreneur`s problems related with Electricity, Bank , Consumer is also one of the main Objectives of study.

4) LIMITATION OF THE STUDY :

This research work is limited and only useful for parbhani district. The reliability of the study depends on the authenticity of the information supplied by the respondents. As the study requires huge data from selected area, cost and time constraints may have affected the effectiveness of the study through every attempt made to keep the spirit of the objective and research methodology.

There are near about 50 oil factory in parbhani District, which are properly running their firms and facing above cited such problems. My study and research work is limited for the oil Industry in parbhani district and talukas in parbhani which are Gangakhed, Palam, Manwat,Pathari, Sailu, Sonpeth, Jintur, Parbhani and Parbhani Rural.

5) IMPORTANCE OF THE STUDY :

The present study has prime significance regarding to the detailed study of oil industry and their problems related with their business. This study is related with oil Industry financial Contribution towards the parbhani District. This research study has its own importance realted with the financial status of oil industry in parbhani district.

6) SCOPE OF STUDY :

"A Financial Study of Edible Oil Industries in Parbhani District". This study is based on to explore economic, financial individual and different problems related with their firms`s according to conditions and situations.

The present scenario of research work is totally based on the research work done previously by the research scholars. There is a possibility of improvement, if it is required.

7) PROPOSED HYPOTHESIS :

- Infrastructure development is the main fact in the growth of edible oil marketing.
- Its market dominated b sellers of this area.
- As oil marketing and it`s contain are limited that`s why other companies can`t interface in this market.
- There is no difference between rural and urban consumers.

8) SAMLE SIZE :

The present study related to cover all parbhani district of oil Industry. Here we will be used simple random sample method to collect the data. In parbhani district there are over 100 oil Industry but take 30 oil industry as samples for research purpose.

9) RESARCH METHODOLOGY :

Every research work requires a method to complete the research work. The research title is **"A Financial Study of Edible Oil Industries in Parbhani District".** For this research work I will use different methods such as Questioning, Interviewing like methods. To complete this research work I will also analyse data field survey and compare it with various conditional sources.

For this research work I will also get help from primary and secondary sources of data collection. In which-

9.1) Primary Data :

For the purpose of the study Primary Data will be collected with the help of the-

1) Well structured questionnaire.
2) Field survey.
3) Discussion with related business entrepreneurs.

9.2) Secondary Data:

Secondary data will be collected from the Governmental and other Publication, Journals, Published data, Books, Magazines, Articles, Research studies and other relevant documents, Various banks reports and banking websites, Industry annual account reports, Audit reports, Financial reports,Purchase and sale reports etc.

10) CHAPTER SCHEME:

The title of research work is**" A Financial Study of Edible Oil Industries in Parbhani District"** and to complete this research work I will classify it in to six chapters. The chapter scheme for this research work is will be as follows-

Chapter 1 : Introduction.
Chapter 2: Review of Literature.
Chapter 3: Oil Industry In Parbhani District : Introduction.
Chapter 4: Financial Study of Oil Industry in parbhani District.
Chapter 5: Study of oil industry in parbhani district.
Chapter 6: Finding , Conclusions and Suggestions.
Chapter 7: References.
Appendix : i) Questionnaire
ii) Personal Interview.

11) PERIOD OF STUDY :

The study covers a time period of 05 years i.e from 2011-12 to 2015-16.

12) REFERANCES

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OY- Oil Year refers to the period November to October.

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